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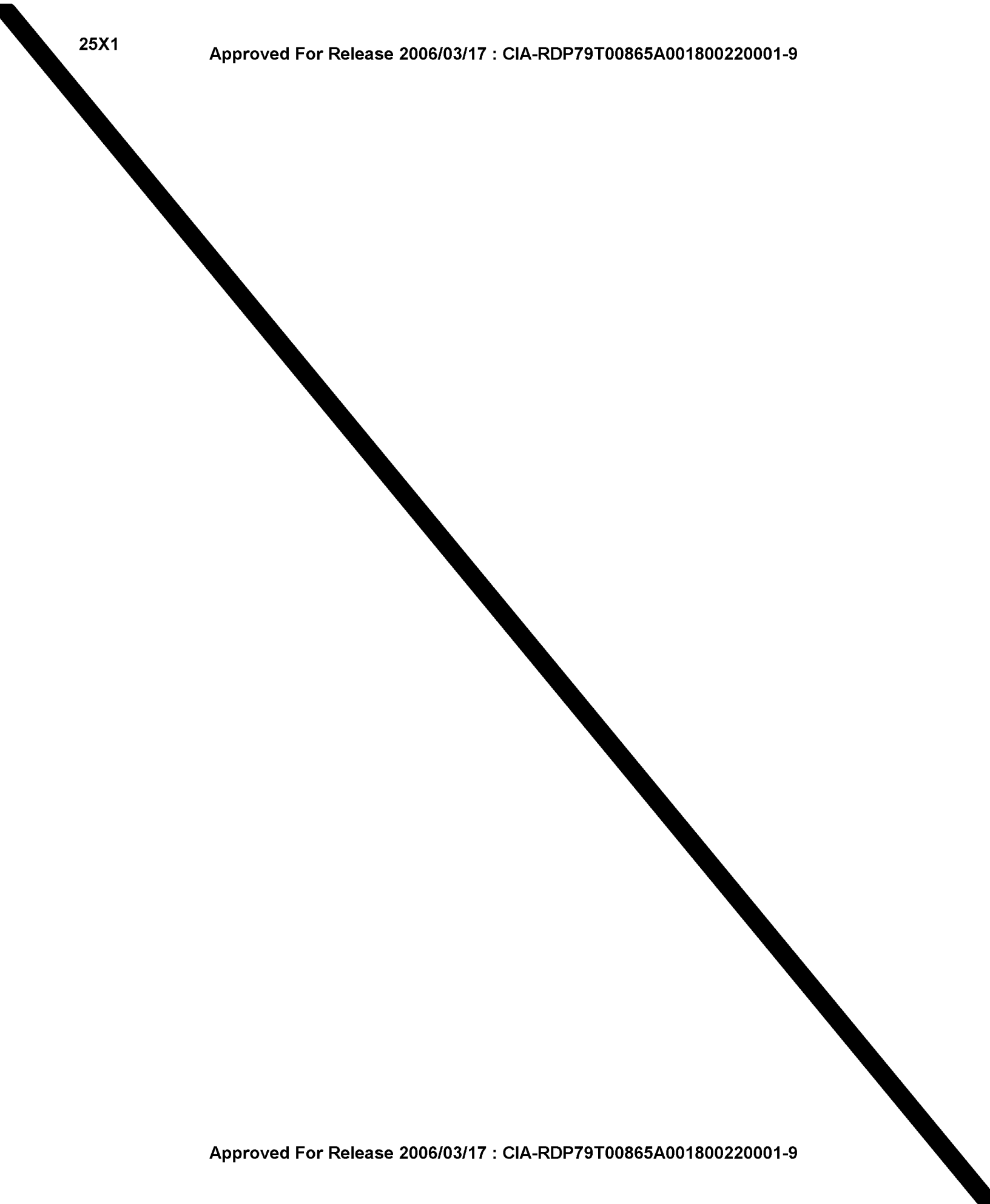

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Dublin Municipal Employees May Strike

Sewerage, fire, and water services employees in Dublin have threatened to strike on September 29 if the government is unable to break the deadlocked negotiations to revise the national wage agreement. Prime Minister Cosgrave said that, if necessary, he will recall parliament from vacation to pass "emergency" legislation to resolve the issue, despite the strain this would impose on his Labor Party-Fine Gael coalition.

The Irish Congress of Trade Unions (ICTU), which represents the municipal employees, had previously agreed to forego the four percent wage hike called for in the wage agreement and to accept in its place a wage increase predicated on the increase in the consumer price index. In return, the government promised to do its share to combat inflation by granting subsidies to keep food prices down. Last week, however, when it became apparent that there would be no wage increase because the consumer price index would show a .8 percent decrease for the quarter, the ICTU decided to hold out for some of the four percent increase for certain jobs such as municipal workers.

Cosgrave probably is aware that a major confrontation between the government and the unions could wreck his coalition. The Embassy in Dublin feels that a face saving compromise may be worked out before parliament is asked to provide special legislation. The Embassy points out, however, that the dispute involves two very stubborn groups and a possible government crisis can not be ruled out.

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UK Announces New Program To Fight Rising Unemployment

The British government yesterday announced a program to combat rising unemployment, especially among the young. Slightly over $210 million will be spent in the first year. The program does not shift policy away from fighting inflation but it may buy some time for London's wage restraints.

The scheme will provide $62 million to subsidize new jobs for young workers in areas of high unemployment. Another $41 million will be spent on job training. The program also includes funds for industrial development and for building factories.

Britain is experiencing its worst unemployment since the end of World War II. Since last December, unemployment has jumped 60 percent, and has now affected 4.3 percent of the labor force. The young have been hardest hit.

Union calls for action have become more strident in recent weeks; some labor leaders have suggested that measures to stimulate the economy will be the price for continued union support of the wage restraint program. Chancellor of the Exchequer Healey hopes to hold off any such action until his anti-inflation program has had an impact on prices, probably next spring.

Unemployment is expected to go on rising well into next year and may reach the 1.5 million mark.

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EC Farm Ministers To Face West German Pressure for Austerity on Monday

West German pressure to keep down EC costs, particularly on farm supports, seems likely to raise hackles at the EC Council of agricultural ministers on September 29 and 30.

The Council is to discuss the stocktaking of the common agricultural policy, which Bonn put on the EC agenda for this year after a sharp dispute over farm price supports last fall. Despite Bonn's known interest in putting a limit on farm support costs, the Commission's recommendations call for new expensive commitments including stockpiling and long term contracts.

This week's EC budget meeting foreshadowed problems for next week's Council. The meeting was highlighted by West German demands for a steep reduction in the Commission's request for the entire 1976 budget. Most of the Commission's proposals for new activities were cut and a compromise was reached on reducing aid to poor regions of the EC. As the West Germans could not agree with the other ministers on the extent of cuts in the farm sector, this question was left for next week's Council.

A proposed long term solution for the much publicized surplus wine production in France and Italy also hinges on expenditures that Bonn is unwilling to make. For the short term, the Commission's decision that France acted illegally in imposing a border tax on Italian wine defused Rome's threats of retaliation. At the same time, technicalities that will delay ratification by the European Court of

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the Commission's decision give the French several months leeway. The Commission also instituted subsidies on French and Italian wine for certain markets, which should particularly increase sales to the USSR.

General agreement has been reached on limiting new planting and on quality control. Disposition of future surplus wine production through distillation into industrial alcohol is, however, still being disputed. Bonn insists that because this remedy is expensive, it should be applied in such a way that it does not encourage increased production.

The West German agricultural minister will undoubtedly have a limited mandate because a simultaneous cabinet meeting in Bonn will be reviewing policy toward the EC in the interests of greater austerity.

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MBFR Talks Resume

The current round of MBFR talks which opens today in Vienna will be seen by West Europeans as the first major test of the "spirit of Helsinki." Progress in the negotiations, however, is likely to depend on whether the West can reach agreement on its long-awaited nuclear proposal.

The East has encouraged the belief that once a CSCE agreement was concluded progress at MBFR would follow. After Helsinki, Brezhnev--along with many Western leaders--underlined the need to give priority attention to reducing armed forces in Central Europe.

Some progress in Vienna may come if the West is able to surmount reservations on the part of some Europeans regarding Option III, the long-awaited nuclear proposal which the US introduced in NATO last summer. This calls for a reduction in Western Europe of US nuclear warheads and delivery systems in return for a withdrawal of a Soviet tank army and a Soviet commitment to a common ceiling for both Warsaw Pact and NATO forces. Although considerable agreement has been reached among the Allies regarding the proposal, differences remain in two key areas: limitations on Allied armaments and the definition of a common ceiling.

The West Germans are concerned that the introduction of Option III may shift the emphasis at the MBFR talks froom troop reductions to broader questions involving armaments. They would like to ensure that

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a force reduction agreement will not result in limitations on West European military equipment.

The British in the last round of talks emphasized the objective of a specific, numerical ceiling for both the Warsaw Pact and NATO. They and their supporters have now given up this commitment because agreement with the East on issues related to determining the size and make-up of Warsaw Pact forces has not been reached. The Germans and the British remain determined, however, to use Option III to buy more than a formal commitment to a common ceiling. They have not yet decided what it should be.

Western agreement to include air manpower in the common ceiling has also made it more difficult to keep the focus on East-West ground force disparities. The Belgians believe that this issue is likely to prove so difficult for the Allies that Option III may have to be introduced without an accompanying air manpower proposal. The parallel introduction of these proposals is intended to meet the East's demand that Western air forces and nuclear weapons also be reduced. 25X1

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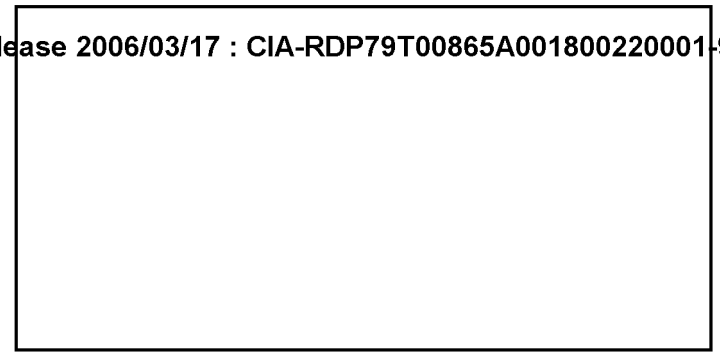

Italian Parties Discuss Strategy

Italy's Christian Democrats and Socialists have each held party leadership meetings recently to grapple with political problems brought on by the Communists' showing in the nationwide local elections last June. The two parties' differing views on how to deal with the Communists remain a major obstacle to renewal of the cooperation between the two that has been the basis for most Italian governments since 1963.

Both Socialists and Christian Democrats said they still see Prime Minister Moro's fragile government--in which only the Christian Democrats and the Republicans participate directly--as the only viable possibility under present circumstances. The Socialists, however, seemed to condition their continued support on the government's responsiveness to organized labor's demands in major contract talks that open this week.

At the Christian Democrats' gathering, party leader Zaccagnini took a step toward the Socialists but did not go far enough to bridge the gap on the Communist issue. Zaccagnini rejected the alternatives of a governmental accord with the Communists or of all-out opposition to them, and recommended a third approach--"competitive dialogue" on major problems.

Although left-of-center Christian Democrats have long talked in these terms, the party has never gone along. Zaccagnini faces an uphill fight in trying to make this vague formulation specific enough to satisfy the Socialists and still obtain agreement within his own party. Conservative

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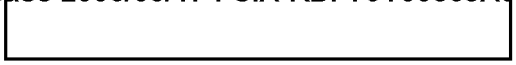

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Christian Democrats have warned that dialogue with the Communists is a losing proposition unless their party first develops its own clear line on major policy questions.

The Socialist meeting, meanwhile, underlined the growing fear among party leaders that their post-election maneuvers have hurt the party by identifying it too closely with the better organized and stronger Communists.

Since June, The Socialists have

--sharply increased collaboration with the Communists by forming governments with them in most major Italian cities, 5 of the 20 regions, and about a third of the 94 provinces, and

--refused to form another national coalition with the Christian Democrats without a formal procedure for considering Communist views on policy options.

Most Socialists are convinced that they suffered in the last election as a result of cooperation with the government and believe they cannot compete with the Communists for voter support unless the Communists' opposition status is somehow diluted. Emphasis at the leadership meeting was on establishing an "autonomous" line of action to set the Socialists apart from both the Communists and Christian Democrats--no small task.

Communist chief Berlinguer is staying out of the Socialist-Christian Democrat dispute over his party's role in the next national government. Nevertheless, the Socialists are concerned over his insistence that Communist strategy at the national level has not changed. Berlinguer is still aiming for an eventual "historic compromise" agreement with the Christian Democrats, which, if accomplished, would make Socialist support superfluous.

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The Communists are not overly jubilant themselves, however, and are being particularly cautious in those localities where they now hold power for the first time. They fear that public reaction to their initiatives could send protest voters back to the Christian Democrats or the far right in the next election. 25X1

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Rumored Agreement Between Italy and Yugoslavia on Trieste

The Italian press is highlighting rumors that Italy and Yugoslavia will sign a protocol, possibly by the end of next month, that will conclude their dispute over the Trieste area that has simmered since the end of World War II. There is no official confirmation of such an agreement.

The protocol reportedly provides for:

--recognition of the present demarcation line between Trieste and its surrounding "Zone A," and "Zone B" to the south, as the legal border between Italy and Yugoslavia;

--unspecified economic arrangements; and

--guarantees for ethnic minorities. The press estimates that there are 25,000 Slavic speakers among the 300,000 inhabitants of the Italian area and 15,000 Italians among the 40,000 persons in the Yugoslav zone.

Opposition to such an agreement would come from Italian neo-Fascists and the Liberals. Press reports indicate that militant nationalist Italian rightists in the Trieste area are already planning demonstrations to protest the protocol. The Italian Communist press has given the story only low key coverage, but Communist deputies are likely to support such an agreement if it comes to a vote.

In the past, protests from the Italian right have forced shaky coalition governments in Rome to back away from nearly completed settlements of

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the Trieste issue. Should this happen again, Belgrade would probably reopen polemics on Italian irredentism, which it has shut off for the last year. President Tito, who wants the Trieste question settled before he dies, sees hesitation in Italy as a mask for territorial claims that could be levied against a possibly troubled Yugoslav successor regime.

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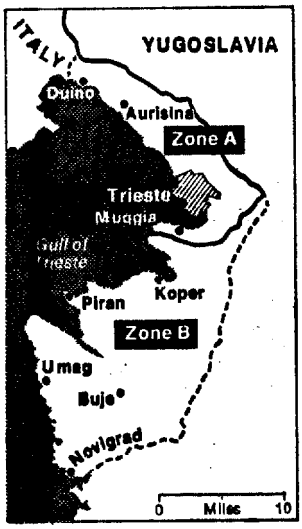

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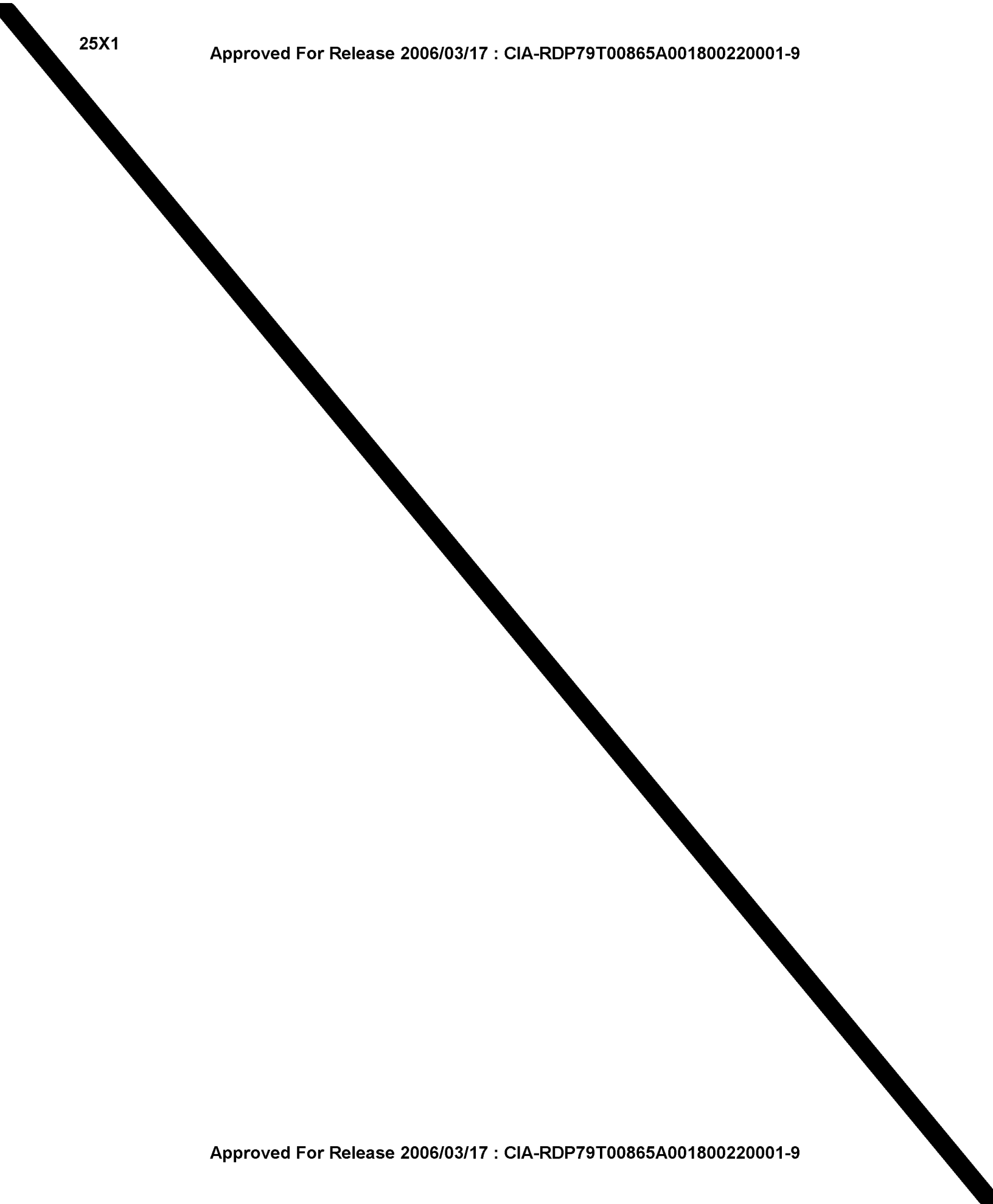

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